

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 CIAE-00 COME-00 DODE-00
DOTE-00 FMC-01 INR-10 NSAE-00 CG-00 DLOS-09
OES-07 PA-01 USIA-06 DOE-11 SOE-02 /066 W
-----012650 081047Z /17

R 080445Z MAR 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 1316
AMCONSUL DHAHRAN
USLO RIYADH

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E.O. 11652 N/A
TAGS: EWWT, SA
SUBJECT: REPORTED SAUDI PLAN TO ESTABLISH TANKER FLEET

REF: STATE 48947

1. JOURNAL OF COMMERCE STORY ACCURATE IN THAT SAG IS IN
EARLY STAGES OF ESTABLISHING NATIONAL TANKER COMPANY, WITH
OWNERSHIP ESSENTIALLY AS DESCRIBED PARA 2 REFTEL. SAG
INTERMINISTERIAL COMMITTEE (HEADED BY MANSOUR AL TURKI OF
MINFIN) IS SO FAR CONCENTRATING ON OWNERSHIP AND PARTICIPA-
TION PROBLEMS. ACCORDING TO INFORMATION WE HAVE BEEN ABLE
TO DEVELOP SO FAR. EXISTING TRANSPORTATION COMPANIES ARE
LARGELY JOINT-VENTURE ARRANGEMENTS BETWEEN SHIPPING AND/OR
OIL COMPANIES AND LOCAL ENTRPRENEURS (MANY OF LATTER ARE
IMPORTANT PRINCES). AS SAG'S CURRENT FEELING IS THAT NEW
NATIONAL TANKER COMPANY SHOULD BE ALL-SAUDI AFFAIR, IT
COULD INVOLVE DISMANTLING OR RESTRUCTURING OF THOSE JOINT
VENTURES IF SAUDI ENTRPRENEURS WISHED TO JOIN NEW
NATIONAL COMPANY. (TO DEGREE THAT MANY OF THE
SEVENTEEN OR SO TANKER COMPANIES LICENSED AS YET
HAVE NO SHIPS, HOWEVER, PROBLEM IS REDUCED.)

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DISCUSSIONS STILL INCONCLUSIVE.

2. GNERAAL ASSUMPTION SEEMS TO BE THAT FORMATION
OF NEW COMPANY, IF IT GOES THROUGH, WILL BE
ACCOMPANIED BY SOME SORT OF CARGO PREFERENCE AND/OR
BUNKERING PRICE ADVANTAGE BOTH FOR PARTICIPANTS IN
NATIONAL COMPANY AND ALL OTHER SAUDI FLAG TANKERS.

NO ACTUAL POLICY OF MEANS OF IMPLEMENTATION HAS AS YET BEEN PROPOSED, AS WE UNDERSTAND IT. CURRENT SAG POLICY IMPOSES NO CARGE PREFERENCE EXCEPT IN CASES OF DIRECT GOVERNMENT OIL SALES WHICH ACCORDING TO ARTICLE 13 OF STANDARD PETROMIN SLAES CONTRACT (JIDDA -72 OF JULY 6,1977) REQUIRES THAT OIL BE LIFTED BY SAUDI FLAG VESSEL IF RPT IF TERMS OFFCERD ARE EQUAL TO NON-SAUDI FLAG. SAUDI SHIPS DO GET BUNKERING PRICE ADVANTAGE 7APPROXIMATELY \$27/TON VS NORMAL \$75/TON PRICE) IF ENGAGED IN SAUDI COASTAL OR DRY CARGO TRADE, AND IF BUNKERS AVAILABLE FROM LOCAL SOURCE (WHICH GENERALLY NOT THE CASE IN JIDDA).

3. WE HAVE NO INFORMATION CONCERNING REPORT THAT SAUDIS THINKING OF BUILDING NEW SHIPS FOR TANKER COMPANY. PERHAPS JOURNAL HAS CONFUSED RECENT ACTION OF ARAB MARINE PETROLEUM TRANSPORT COMPANY, WHICH HAS JUST ORDERED TWO NEW LPG TANKERS, ONE OF WHICH WILL BE POERATED UNDER SAUDI FLAG. OUR SOURCES BELIEVE IT MORE LIKELY THAT SAG WOULD BUY EXISTING TONNAGE, BUT STRESS THAT NO SERIOUS CONSIDERATION YET GIVEN TO THIS QUESTION.
WILY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, MARINE TRANSPORTATION, ESTABLISHMENT OF OFFICES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JIDDA01787
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780104-0121
Format: TEL
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780394/aaaadbhl.tel
Line Count: 85
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3dcc97cb-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 48947
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3407262
Secure: OPEN
Status: NATIVE
Subject: REPORTED SAUDI PLAN TO ESTABLISH TANKER FLEET
TAGS: EWWT, SA
To: STATE DHAHRAN
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3dcc97cb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014